

You aspire, we facilitate

Portfolio Performance Review

August 2007

1. Highly aggressive portfolio

Performance summary

- 1: The Portfolio has continued to outperform the index and category average for almost all return periods (since launch, 1 year, 6 months and 3 months). The outperformance is more than 10% over the index and category average for return since launch (refer table below).
- 2: An investment of Rs. 1 lakh has grown to Rs. 1,79,348 as on July 31, 2007, while the same amount in CNX Midcap and category average has grown to Rs. 1,61,192 and Rs. 1,61,761 respectively
- 3: In terms of risk-adjusted returns also, the portfolio has delivered better returns than the index and category average.

Returns

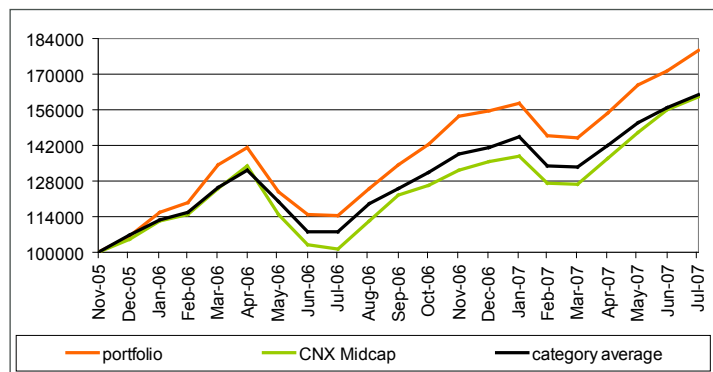
	3 months (abs)	6 months (abs)	1 year	Since launch (ann) ^	Risk adjusted (Sortino ratio) ^
Portfolio	15.86	13.23	56.60	47.61	1.93
CNX Midcap	15.91	11.13	56.12	36.54	1.31
Category average	13.86	11.28	49.98	37.06	1.61

^ since Nov 30, 2005

Notes:

1. Returns as on July 31, 07
2. Returns and deviations have been annualised for computation of Sortino ratio.
3. For computation of Sortino ratio, returns are computed using monthly NAV on the last working day of every month, risk-free rate is taken as 6% p.a.

Growth of investment of Rs. 1 lakh*



* Value of investment worth Rs.1 lakh made on Nov 30, 2005 based on our recommendations

Notes:

1. Portfolio changes are made on the 1st of every month.
2. Impact of loads and capital gains tax has not been considered.
3. Schemes have been classified in terms of aggression based on their investment universe, investment style and target market segmentation.

2. Moderately aggressive portfolio

Performance summary

- 1: The Portfolio has also delivered remarkable performance as it has outperformed the index and category average for all return periods (since launch, 1 year, 6 months and 3 months).
- 2: Investment of Rs.1,00,000 has become Rs.1,68,469, delivering a return of Rs.68,469 (in absolute terms). The index and category average have risen to Rs.1,64,076 and Rs.1,64,296 over the same period.
3. In terms of risk-adjusted returns also, the portfolio has delivered excellent performance against the index as well as category average.

Returns

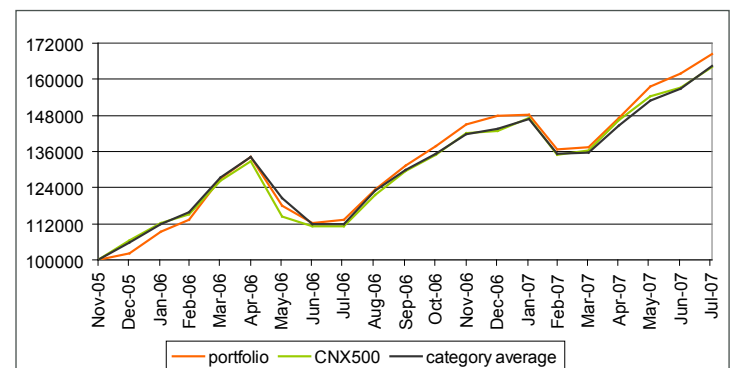
	3 months (abs)	6 months (abs)	1 year	Since launch (ann) ^	Risk adjusted (Sortino ratio) ^
Portfolio	14.49	13.62	48.77	41.08	1.84
CNX500	11.98	11.52	47.66	38.45	1.63
Category average	13.64	11.82	46.69	38.58	1.73

^ since Nov 30, 2005

Notes:

1. Returns as on July 31, 07
2. Returns and deviations have been annualised for computation of Sortino ratio.
3. For computation of Sortino ratio, returns are computed using monthly NAV on the last working day of every month, risk-free rate is taken as 6% p.a.

Growth of investment of Rs. 1 lakh*



* Value of investment worth Rs.1 lakh made on Nov 30, 2005 based on our recommendations

Notes:

1. Portfolio changes are made on the 1st of every month.
2. Impact of loads and capital gains tax has not been considered.
3. Schemes have been classified in terms of aggression based on their investment universe, investment style and target market segmentation.

3. Least aggressive portfolio

Performance summary

- 1: The least aggressive portfolio has also outperformed the index and category average for all return periods (since launch, 1 year, 6 months and 3 months). Interestingly, the portfolio has delivered better performance against its category average as well as index in terms of risk adjusted returns also.
- 2: Until May 2007, the portfolio had underperformed the index due to secular rally in some specific stocks of broad indices (Nifty) during the second half of the calendar year 2006. This month the portfolio has been able to cross over indices by a small margin (refer chart below).
- 3: Investment of Rs.1,00,000 has become Rs.1,71,527 delivering a return of Rs.71,527 (in absolute terms).

Returns

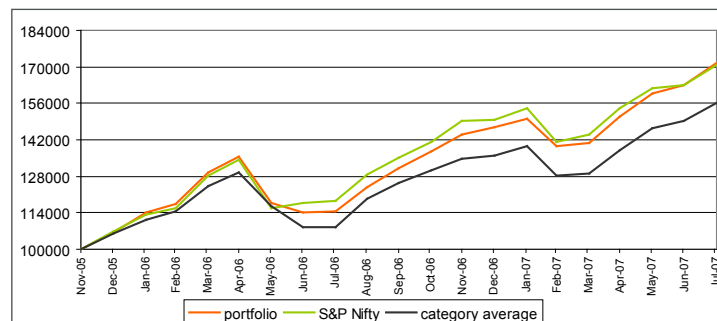
	3 months (abs)	6 months (abs)	1 year	Since launch (ann) ^	Risk adjusted (Sortino ratio) ^
Portfolio	13.69	14.22	49.93	42.92	1.88
S&P Nifty	10.79	10.93	44.08	42.45	1.83
Category average	13.11	11.69	43.64	33.62	1.58

^ since Nov 30, 2005

Notes:

1. Returns as on July 31, 07
2. Returns and deviations have been annualised for computation of Sortino ratio.
3. For computation of Sortino ratio, returns are computed using monthly NAV on the last working day of every month, risk-free rate is taken as 6% p.a.

Growth of investment of Rs. 1 lakh*



* Value of investment worth Rs.1 lakh made on Nov 30, 2005 based on our recommendations

Notes:

1. Portfolio changes are made on the 1st of every month.
2. Impact of loads and capital gains tax has not been considered.
3. Schemes have been classified in terms of aggression based on their investment universe, investment style and target market segmentation.

4. Rationale behind portfolio construction

The portfolios are diversified across different fund types and AMCs as well. This would contribute towards better risk-adjusted returns.

The fund selection approach

1. We have classified all equity funds into three categories based on the risk associated with them. The categories are most aggressive, moderately aggressive and least aggressive. The criterion for assessing the risk associated include investment strategy, exposure to various market capitalisations, themes and sectors.
2. The next step involves short listing funds based on the outlook with reference to specific themes, sectors, and market segments (large, mid and small capitalisation).
3. After filtering funds based on the above theme, we identify the best performing schemes in all the categories short listed in step 2.
4. The quantitative parameters for identifying the best performing schemes include: historical risk-return performance, portfolio concentration, corpus size etc.
5. Qualitative parameters considered are AMC track record, performance of existing equity funds and strength of the fund management team.

Some new funds which could not be assessed based on their historical performance, have also been included based on qualitative parameters and outlook on theme/ investment strategy etc.

Highly Aggressive Funds:

These funds are considered as high risk-high return funds. Selection of these funds depends on their exposure to stocks and sectors. Aggressive funds have more exposure to mid cap stocks which are considered riskier and at the same time have the potential of offering good returns. Sector funds are also considered more risky as they have concentrated exposure in a particular sector; such as FMCG funds, power sector funds, commodities fund etc. Thematic funds such as services, infrastructure and capex are expected to generate good returns due to the govt. initiatives on infrastructure projects, which may result in growing revenues of capital goods companies.

Moderately Aggressive Funds:

These funds are typically purely diversified funds which do not have any bias towards any sector, theme or market segment. At the same time, these funds do not adopt the strategy of taking very concentrated exposure. This means that due to high degree of diversification, such funds are meant to be more consistent than the one's belonging to the aggressive category. This category also includes contrarian funds. Such funds invest in stocks which are out of favour, thus offering a potential to deliver higher risk-adjusted returns over a long-term.

Least Aggressive Funds:

These funds offer low return with low risk. Selection of these funds mainly depends on the defensive strategy taken by mutual funds. Like large cap funds are exposed large companies which generally offers a low return and the risk involved in these funds are low. Also, PE and dividend yield funds fall under this category since it follows a conservative approach by investing more in low P/E stocks or high dividend yield stocks.



For more information call us on : 1800 425 8283

Research Team

Kirti Singh email : kirti.s@karvy.com
Sonika Dheer email : sonika.dheer@karvy.com
Pradeep Kumar S. email : pradeep.s@karvy.com

Ph : +91 40 23312454 Ext : 304

Disclaimer

The information and views presented in this report are prepared by Karvy Stock Broking Limited. The information contained herein is based on our analysis and upon sources that we consider reliable. We, however, do not vouch for the accuracy or the completeness thereof. This material is for personal information and we are not responsible for any loss incurred based upon it. While acting upon any information or analysis mentioned in this report, investors may please note that neither Karvy nor Karvy Stock Broking nor any person connected with any associate companies of Karvy accepts any liability arising from the use of this information and views mentioned in this document.

This report is intended for a restricted audience and we are not soliciting any action based on it.